

AR17
Utilities

Corp report

NORTHWESTERN UTILITIES, LIMITED



annual
report
1971

BOARD OF DIRECTORS

D. B. COLLIER, Edmonton
Vice-President and General Manager, Northwestern Utilities, Limited

R. N. DALBY, Edmonton
Senior Vice-President, Northwestern Utilities, Limited

F. T. JENNER, Edmonton
Corporate Director

E. W. KING, Edmonton
President and Chief Executive Officer, Northwestern Utilities, Limited

K. L. MacFADYEN, Calgary
Senior Vice-President—Finance, Northwestern Utilities, Limited

J. E. MAYBIN, Philadelphia, Pa.
Chairman, Northwestern Utilities, Limited

A. R. McBAIN, Edmonton
President, McBain Camera Specialty Limited

W. S. McGREGOR, Edmonton
President, Numac Oil & Gas Limited

R. M. PARSONS, M.D., Red Deer
Parsons Clinic

J. M. SEABROOK, Salem, New Jersey
Chairman and President, International Utilities Corporation

D. B. SMITH, Calgary
Senior Vice-President, Northwestern Utilities, Limited

M. E. STEWART, Honolulu, Hawaii
President and Chief Executive Officer, C. Brewer and Co., Ltd.

D. K. YORATH, Edmonton
Chairman of the Executive Committee, Vice-President, International Utilities Corporation

HONORARY DIRECTORS

H. R. MILNER, C.C., Q.C., Edmonton
Honorary Chairman of the Board, Northwestern Utilities, Limited

O. C. McINTYRE, Edmonton
Corporate Director

A. G. STEWART, Edmonton
Senior Partner, Stewart, Weir, Stewart, Watson & Heinrichs

OFFICERS

J. E. MAYBIN, Chairman

E. W. KING, President and Chief Executive Officer

K. L. MacFADYEN, Senior Vice-President—Finance

R. N. DALBY, Senior Vice-President

D. B. SMITH, Senior Vice-President

D. B. COLLIER, Vice-President and General Manager

B. W. SNYDER, Vice-President—Engineering and Rate Administration

J. H. PLETCHER, Vice-President—Gas Supply

E. G. RINGROSE, Vice-President—Administration

A. M. ANDERSON, Controller

G. Y. SOMMERVILLE, Secretary-Treasurer

J. E. ROBERTS, Assistant Secretary

B. T. BANKS, Assistant Treasurer



HIGHLIGHTS IN REVIEW

NORTHWESTERN UTILITIES, LIMITED

	<u>1971</u>	<u>1970</u>	<u>1969</u>	<u>1968</u>	<u>1967</u>	<u>1961</u>
Customers at Year End	146,247	139,946	135,299	130,047	125,124	98,716
Natural Gas Sales ---- (thousands of cubic feet)	117,644,109	107,697,555	96,333,941	83,949,345	86,279,958	53,988,167
Revenue -----	\$35,518,953	\$32,955,913	\$30,429,899	\$27,220,156	\$27,161,182	\$18,368,356
Net Income						
From Operations -----	\$4,465,507	\$4,182,235	\$4,152,339	\$3,449,468	\$3,247,437	\$2,925,233
Total, including gain on sale of land and investments -----	\$4,473,970	\$4,194,526	\$4,664,037	\$3,648,192	\$3,261,915	\$2,925,233
Earnings Per Common Share						
From Operations -----	\$2.38	\$2.21	\$2.19	\$1.78	\$1.66	\$1.47
Total, including gain on sale of land and investments -----	\$2.38	\$2.22	\$2.49	\$1.90	\$1.67	\$1.47
Gross Additions to Plant - Annual -----	\$5,313,054	\$6,058,513	\$6,241,168	\$4,509,789	\$4,267,731	\$2,577,809
Gross Plant -----	\$113,062,920	\$108,148,824	\$102,474,796	\$96,858,453	\$93,093,629	\$68,839,647
Miles of Pipeline ----	4,625	4,396	4,177	3,812	3,303	2,478
Maximum Daily Demand ----- (thousands of cubic feet)	605,110	553,699	493,269	495,191	426,647	311,248
Communities Served --	117	114	113	109	103	74
Population Served ----	623,000	599,000	575,000	554,000	530,000	406,000

TO THE SHAREHOLDERS

NORTHWESTERN UTILITIES, LIMITED

Net earnings from operations during 1971 were \$4,466,000 compared to \$4,182,000 for the previous year. In addition, small gains on the sale of land and investments realized \$8,000 in 1971 compared to \$12,000 in 1970.

Revenue from natural gas sales in 1971 amounted to \$35,519,000, an increase of \$2,563,000 or 7.8 per cent over 1970. As in 1970 this increase was for the most part due to increases experienced in the industrial sales sector where sales volume increased 15 per cent. The average temperature for the year was slightly higher than the long term average, with a margin of less than one per cent variation from normal. Approximately 6,300 new customers were added during the year with 5,700 being in the residential category.

Operating expenses including depreciation and property and income taxes increased by 9 per cent to \$29,346,000. Expenditure for natural gas purchased amounted to \$11,862,000, an increase of \$1,455,000 over the previous year. This increase, plus higher wages and material costs combined with the effect of expanded operations resulted in the total increase in expenses of \$2,440,000.

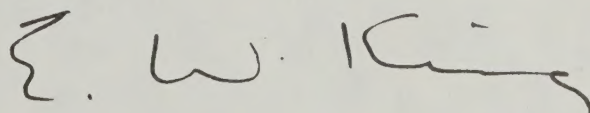
On January 5, 1972, Canadian Utilities, Limited, for many years an affiliate, acquired all of the outstanding common shares of your Company in exchange for 1,105,000 common shares of Canadian Utilities. The effect of this transaction is that Canadian Utilities is now the direct parent of your Company.

The Company's construction program in 1971 exceeded \$5,000,000 and was financed through bank borrowings. In 1972 permanent financing will be undertaken in the form of debt financing through the parent company. Expenditures on plant expansion in 1972 are estimated at approximately \$8,000,000.

The annual report of your Company for the year 1970 contained reference to the White Paper on Tax Reform and to representations which were being made to the federal government by your Company as well as other Canadian gas and electric utilities. Your directors are pleased to report that these submissions were favorably received by the government with the result that an area of considerable concern to the gas and electric utility industry has been clarified in that preferred and common dividends paid by these utility companies will continue to qualify for a dividend tax credit under the new federal income tax legislation.

On February 1 John E. Maybin who had been Chairman and Chief Executive Officer of the Company since July, 1969, was appointed Group Vice-President - Utilities of International Utilities Corporation. Mr. Maybin continues to hold the position of Chairman of your Company. His duties as Chief Executive Officer have been assumed by the President, E. W. King. The directors thank all employees of the Company for their help in maintaining its record of good and dependable service.

ON BEHALF OF THE BOARD OF DIRECTORS



E. W. King,
President and Chief Executive Officer

March 9, 1972



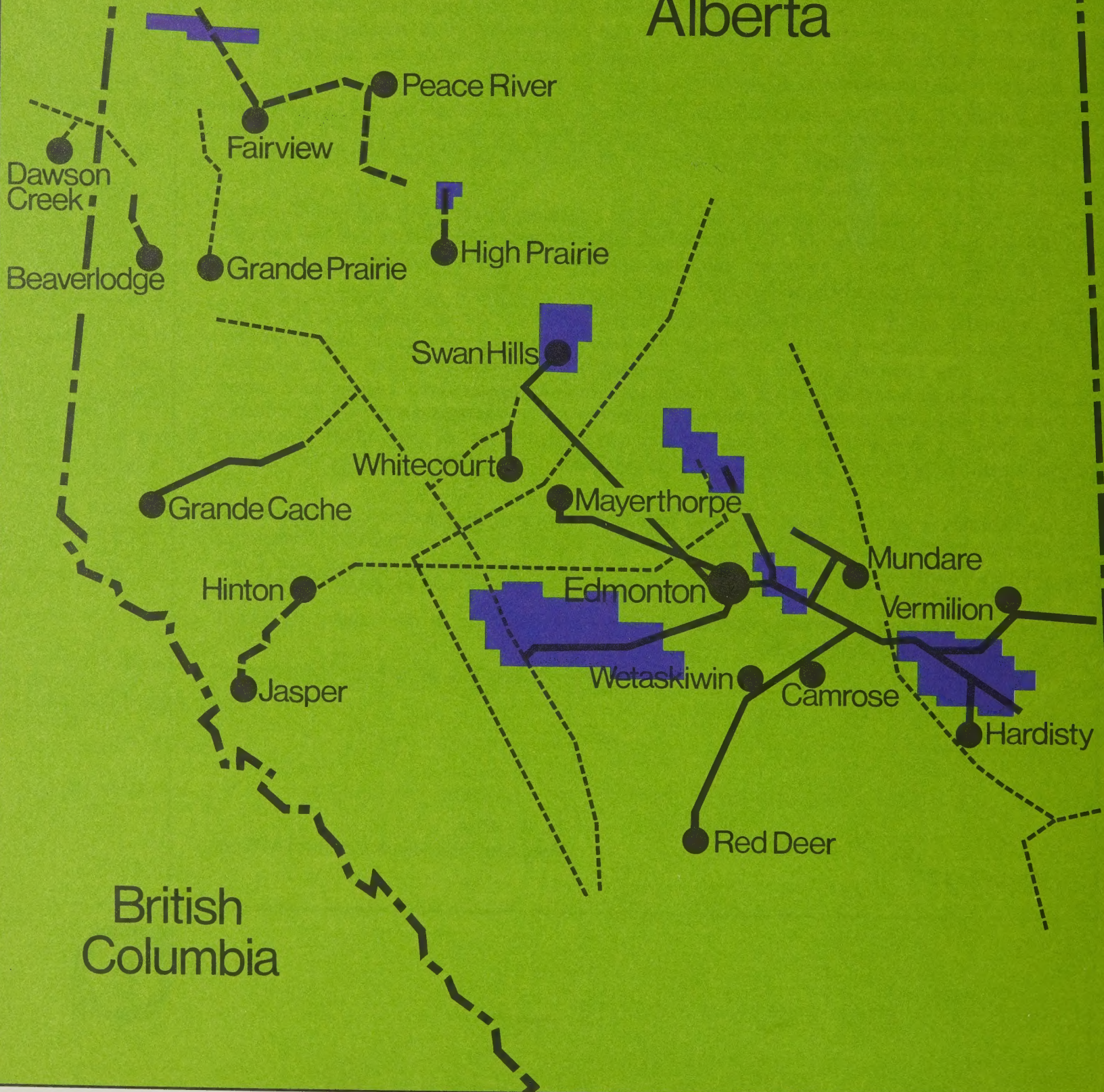


MAP OF ALBERTA
SHOWING
MAJOR PIPELINES
OF
NORTHWESTERN UTILITIES, LTD.
LEGEND

N.U.L. LINES —————
NORTHLAND UTILITIES LTD. - - - - -
PIPELINES OWNED BY OTHERS
MAJOR GAS FIELDS [shaded area]

Alberta

Saskatchewan



British
Columbia

FINANCIAL STATEMENTS

NORTHWESTERN UTILITIES, LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Northwestern Utilities, Limited as of December 31, 1971, and the statements of earnings, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company at December 31, 1971, and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Edmonton, Alberta
January 28, 1972

Peat, Marwick, Mitchell & Co.
Chartered Accountants

TRANSFER AGENT AND REGISTRAR

Montreal Trust Company

Edmonton, Alberta — Calgary, Alberta
Toronto, Ontario — Montreal, Quebec

AUDITORS

Peat, Marwick, Mitchell & Co.
2500 Alberta Telephone Tower, Edmonton, Alberta



BALANCE SHEET

NORTHWESTERN UTILITIES, LIMITED

ASSETS

DECEMBER 31

	<u>1971</u>	<u>1970</u>
Fixed assets:		
Property, plant, leases, rights, gas wells and equipment subject to amortization and depreciation, at cost ----	\$113,062,920	\$108,148,824
Less accumulated amortization and depreciation (note 1)	<u>38,473,395</u>	<u>35,629,160</u>
Net fixed assets -----	74,589,525	72,519,664
Accounts receivable due beyond one year -----	513,376	596,577
Investments, not having market quotations, at cost	1,106	1,186
Current assets:		
Cash -----	—	124,233
Short-term investments, at cost -----	—	400,000
Marketable securities, at cost (quoted market value \$377,005; 1970 — \$393,425) -----	522,210	522,210
Accounts receivable -----	3,438,283	3,758,660
Due from parent and affiliated companies -----	61,090	2,506
Materials and supplies, at or below average cost -----	1,476,114	953,638
Prepaid expenses -----	<u>124,522</u>	<u>81,751</u>
Total current assets -----	5,622,219	5,842,998
Unamortized debt discount and expense -----	753,659	801,830

On behalf of the Board:

E. W. KING, Director

K. L. MacFADYEN, Director

\$ 81,479,885

\$ 79,762,255

See accompanying notes.

LIABILITIES AND SHAREHOLDERS' EQUITY

DECEMBER 31

	<u>1971</u>	<u>1970</u>
Shareholders' equity:		
4% cumulative preference shares, par value \$100 per share (note 2):		
Authorized — 120,000 shares		
Issued — 105,000 shares	\$ 10,500,000	\$ 10,500,000
Common shares, without par value:		
Authorized — 3,000,000 shares		
Issued — 1,756,000 shares (1970 — 1,700,000 shares) (note 3)	5,560,400	4,250,000
Retained earnings (notes 3 and 4)	21,273,070	21,419,500
Total shareholders' equity	37,333,470	36,169,500
Long-term debt (excluding current maturities) (note 4)	28,385,500	29,731,000
Current liabilities:		
Loan payable to bank	5,500,000	—
Bank overdraft	23,749	—
Accounts payable and accrued liabilities	2,945,354	2,259,816
Accrued interest on long-term debt	347,912	399,754
Long-term debt — current maturities (note 4)	784,500	3,260,250
Due to parent and affiliated companies	36,225	45,861
Dividend payable	—	1,870,000
Income taxes	427,820	56,433
Consumer deposits	571,486	—
Other taxes	1,691,649	1,630,007
Total current liabilities	12,328,695	9,522,121
Deferred income taxes (note 5)	846,252	984,405
Other liabilities:		
Consumer deposits	—	1,098,522
Miscellaneous	281,555	286,072
Total other liabilities	281,555	1,384,594
Contributions for extensions to plant	2,304,413	1,970,635
Commitments (note 6)		
	<u>\$ 81,479,885</u>	<u>\$ 79,762,255</u>



STATEMENT OF EARNINGS

NORTHWESTERN UTILITIES, LIMITED

YEAR ENDED DECEMBER 31

	<u>1971</u>	<u>1970</u>
Natural gas sales	\$ 35,518,953	\$ 32,955,913
Operating expenses:		
Natural gas purchased	11,861,754	10,407,425
Operating	8,306,654	7,521,544
Maintenance	1,386,860	1,313,955
Taxes — income (note 5)	2,620,000	2,750,000
Taxes — other than income	2,365,784	2,261,786
Depreciation exclusive of \$237,775 included in operating and other accounts (1970 — \$223,494)	2,804,926	2,650,808
	<u>29,345,978</u>	<u>26,905,518</u>
Net operating income	6,172,975	6,050,395
Other income:		
Gain on purchase of long-term debt	217,359	79,204
Interest and dividends	152,952	256,780
Miscellaneous	33,049	33,749
	<u>403,360</u>	<u>369,733</u>
	6,576,335	6,420,128
Income deductions:		
Interest on long-term debt	2,042,482	2,188,238
Other interest	19,141	40
Debt discount and expense amortized	48,181	47,568
Premium on bonds redeemed	1,024	2,047
	<u>2,110,828</u>	<u>2,237,893</u>
Net earnings from services and other income before extraordinary items	4,465,507	4,182,235
Extraordinary items:		
Gain on sale of land and investments	8,463	12,291
Net earnings	<u>\$ 4,473,970</u>	<u>\$ 4,194,526</u>

See accompanying notes.

STATEMENT OF RETAINED EARNINGS

NORTHWESTERN UTILITIES, LIMITED

YEAR ENDED DECEMBER 31

	<u>1971</u>	<u>1970</u>
Balance at beginning of year as previously reported	\$ 21,419,500	\$ 19,927,883
Adjustment of prior years' income taxes	—	352,091
Balance as restated	21,419,500	20,279,974
Add net earnings	4,473,970	4,194,526
	<u>25,893,470</u>	<u>24,474,500</u>
Deduct dividends:		
4% Cumulative preference shares	420,000	420,000
Common shares:		
Cash	2,890,000	2,635,000
Stock (note 3)	1,310,400	—
	<u>4,620,400</u>	<u>3,055,000</u>
Balance at end of year	<u>\$ 21,273,070</u>	<u>\$ 21,419,500</u>

See accompanying notes.

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

YEAR ENDED DECEMBER 31

	<u>1971</u>	<u>1970</u>
Funds provided by:		
Operations:		
Net earnings	\$ 4,473,970	\$ 4,194,526
Add depreciation and other charges, less credits, not involving cash	2,740,119	2,842,637
	<u>7,214,089</u>	<u>7,037,163</u>
Proceeds from disposal of fixed assets	95,967	95,412
Increase in non-current consumer deposits	—	55,542
Proceeds of sale of investments	80	366,341
Increase in contributions for extensions to plant	333,778	305,505
Other	83,201	—
Total funds provided	<u>7,727,115</u>	<u>7,859,963</u>
Funds applied to:		
Payment of dividends	3,310,000	3,055,000
Additions to fixed assets	5,206,185	5,937,190
Reduction of long-term debt	1,128,141	3,221,546
Reduction of consumer deposits	1,098,522	—
Other	11,620	13,250
Total funds applied	<u>10,754,468</u>	<u>12,226,986</u>
Increase in working capital deficit	<u>\$ 3,027,353</u>	<u>\$ 4,367,023</u>

See accompanying notes.



NOTES TO FINANCIAL STATEMENTS · DECEMBER 31, 1971

NORTHWESTERN UTILITIES, LIMITED

1. Depreciation and amortization:

Property, plant and equipment is being depreciated and amortized in accordance with Board orders of The Public Utilities Board for the Province of Alberta as follows:

General plant (exclusive of transportation and movable equipment) on a straight line basis at the effective rate of 2.475% per annum on the gross cost of the plant at the preceding December 31, less contributions for extensions to the plant at that date.

Natural gas and underground storage facilities at the rate of 1½% per annum on cost at the preceding December 31, plus an amount based on unit withdrawals.

Other plant at various rates based on estimated lives of the assets.

2. Cumulative redeemable preferred shares:

The 4% cumulative preference shares are redeemable at the option of the company on thirty days' notice at \$103 per share.

3. Stock dividend:

During the year the company declared a dividend in the amount of \$1,310,400 which was satisfied by the issue of 56,000 common shares.

4. Long-term debt:

Long-term debt at December 31, 1971 is summarized as follows:

	<u>Total Amount</u>	<u>Current Maturities</u>
First mortgage sinking fund bonds:		
Series E — 3½% due December 15, 1975 -----	\$ 1,540,000	\$ 235,000
Series F — 4¾% due January 15, 1979 -----	1,827,000	211,500
Series G — 5¾% due April 15, 1983 -----	4,626,000	—
Series H — 5¾% due March 1, 1988 -----	9,113,000	—
Series I — 6½% due May 1, 1992 -----	4,480,000	130,000
Series J — 9¾% due December 15, 1994 -----	7,584,000	208,000
	<u>29,170,000</u>	<u>784,500</u>
Deduct current maturities -----	784,500	
Long-term debt less current maturities -----	<u>\$28,385,500</u>	

The long-term debt outstanding is stated after deducting \$194,000 Series G and \$367,000 Series H bonds which have been purchased and are held for future sinking fund payments.

Instalments of long-term debt maturing in each of the calendar years 1972, 1973, 1974, 1975 and 1976 amount to \$784,500, \$1,223,500, \$1,284,500, \$1,911,500 and \$1,076,500, respectively, after deducting bonds which have been purchased as described above.

The trust deed securing the first mortgage bonds imposes certain restrictions on the payment of dividends and management fees and upon the redemption or repayment of the company's preference and common shares. To December 31, 1971 all of the conditions of the trust deed and indentures had been met.

5. Deferred income taxes:

In fixing rates, except for the matter referred to in the succeeding paragraph, the Public Utilities Board of the Province of Alberta permits the Company to recover only taxes payable currently and accordingly, to the extent that capital cost allowances are claimed in excess of the depreciation recorded in the accounts, there has been a related reduction in the amount of income taxes otherwise payable.

The Company is permitted, however, to record deferred tax credits in respect to the acquisition of natural gas rights for its utilities systems, but, at the specific request of the City of Edmonton, it has agreed with effect from January 1, 1967 to amortize such deferred tax credits by credit to the annual provisions for income taxes over a 10 year period.

The effect of the reductions in the annual provisions for taxes on income resulting from the use of the methods referred to in the two preceding paragraphs as compared to the annual provisions on a tax allocation basis is that the provisions have been reduced by \$96,500 in 1971 (1970 — \$227,740). The cumulative amount of deferred tax credits to December 31, 1971 is \$3,625,500 of which \$846,252 has been recorded in the accounts.

6. Commitments:

The Company, together with certain of its affiliated companies, has in effect a pension plan covering substantially all of its employees. At December 31, 1971, the company's share of the aggregate unfunded past service liability, being amortized over a period of approximately twenty years, amounted to approximately \$739,000.

7. Remuneration to directors and officers:

During the year ended December 31, 1971 the company paid aggregate remuneration of \$19,000 to 17 directors as directors (\$17,300 to 18 directors in 1970) and \$141,093 to 11 officers as officers (\$137,284 to 13 officers in 1970).

Six officers were also directors in 1971, seven in 1970.



**NEWS RELEASE**

FOR RELEASE AT 12 NOON MARCH 28

EDMONTON, March 28 -- Natural gas sales in 1971 by Northwestern Utilities, Limited of 117.6 billion cubic feet were reported today in the company's annual report to shareholders. This is an increase of 11 per cent over 1970.

Revenue from natural gas sales was \$35,519,000, an increase of \$2,563,000. Operating expenses, including depreciation in property and income taxes, were \$29,346,000 in 1971, an increase of \$2,440,000. Expenditures for natural gas purchased amounted to \$11,862,000, an increase of \$1,455,000 over the previous year.

Net earnings from operations were \$4,466,000 compared to \$4,182,000 for the previous year, equal to earnings per share of \$2.38 compared to \$2.21 in 1970.

The largest customer increase in the past thirteen years, and the third largest in the company's history, took place in 1971. A total of 6,300 customers were added during the year. Most of the company's capital program of \$5,313,000 was devoted to connecting them.

In 1972 the company forecasts connection of 5,200 new customers. Capital expenditures, forecast at \$8,100,000, include a number of major extensions to the company's pipeline system as well as the connection of the new customers.

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A peak day delivery record was established on Jan. 14, 1971 when 605 million cubic feet were sent out to the company's customers.

Earlier this year Northwestern Utilities became a subsidiary of Canadian Utilities, Limited, its former electric utility associate. Canadian Utilities is now the parent company of not only Northwestern Utilities but Canadian Western Natural Gas Company Limited, Northland Utilities Limited and of a new company Alberta Power Limited, which was formed to assume the former electric operations of Canadian Utilities.

Northwestern Utilities, which will celebrate its 50th anniversary of service in 1973, supplies natural gas to the cities of Edmonton, Red Deer, Camrose and Wetaskiwin and 113 other communities in central Alberta. Its pipeline network totals 4,625 miles.

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